

ASSESSMENT OF MOROCCO'S TECHNICAL ASSISTANCE NEEDS TO NEGOTIATE AND IMPLEMENT THE FREE TRADE AGREEMENT BETWEEN MOROCCO AND THE UNITED STATES

STATEMENT OF WORK

I. BACKGROUND

Morocco is a lower middle-income country with a population of about 29 million and a per capita income of \$1,180.¹ Morocco's economy is dominated by a strong services sector, including the tourism industry, which accounts for 52 percent of GDP (Gross Domestic Product). Industry follows at 33 percent and agriculture at 15 percent.² Employment, however, is dominated by the agriculture sector, which employs roughly half of the labor force.³ The agriculture sector is over 90 percent rain-fed⁴ and the main products produced include barley, wheat, citrus, wine, vegetables, olives, and livestock.⁵

Despite a stable economy, growth is low and extremely uneven. The IMF estimates GDP growth rates of 0.8 percent in 2000, 7.8 percent in 2001 and 3.3 percent in 2002.⁶ Urban unemployment is estimated at over 20 percent.⁷ Poverty has been increasing and social gaps between rural and urban areas remain large.⁸

Morocco is a moderately open economy. Exports and imports represented respectively 31.4 percent and 37.8 percent of GDP in 2000. Its principal trading partners are located in Europe (70 percent, of which France accounts for about 40 percent), followed by Asia (16 percent), the Americas (9 percent), and Oceania (1 percent). Morocco is an original member of the World Trade Organization (WTO), having acceded to the GATT in 1987.

Morocco has already signed an association agreement with the European Union (EU) which calls for the dismantling of tariff and non-tariff barriers on all non-agricultural trade between Morocco and the EU over a twelve year period beginning March 3, 2000, the date on which the agreement entered into force. In summary, the agreement involves the following elements:

- For capital goods, immediate elimination of all tariffs;
- For products not manufactured locally, spare parts, and primary materials, a three year period for elimination of all tariffs and duties; and
- For products that are manufactured locally, a ten year period for elimination of all tariffs and duties after an initial two year grace period.

¹ World Bank, "Morocco at a Glance," 2000

² CIA World Factbook, 1999 estimates

³ CIA World Factbook, 1999 estimates

⁴ Morocco Country Commercial Guide FY 2002

⁵ CIA World Factbook,

⁶ GDP constant prices, annual % change from the IMF World Economic Outlook

⁷ Morocco Country Commercial Guide FY 2002

⁸ World Bank, "Morocco in Brief," May 2000

The EU Association Agreement also calls for the elimination of reference prices on all products originating from the EU within three years, and for the eventual liberalization of agricultural trade, although little progress has been made on the latter issue. As part of the EU Agreement, the EU promised, and is providing, technical assistance and training to Moroccan enterprises to make them more competitive with European products. However, some Moroccan businesspersons have complained that the level of assistance is not what they expected.

Morocco and the United States have already signed several agreements that affect trade and investment. These bilateral agreements include:

- Bilateral Investment Treaty, 1991: Affirms non-discriminatory treatment of investment in the respective countries.
- Trade and Investment Framework Agreement, 1995: Created a high level forum for the periodic discussion of trade, taxation, intellectual property, and investment issues.
- Open-Skies Agreement, 2001: Fully liberalized air travel between the two countries.

During the April 2002 visit of King Mohammed VI of Morocco to the United States, the governments of the two countries announced their intention to enter into negotiations leading to the establishment of a free trade area. In the months following the initial discussion of the possibility of a free trade agreement (FTA) between Morocco and the United States,⁹ U.S. Mission officials have taken numerous opportunities to discuss the FTA and its implications with a wide range of Moroccan government officials, business leaders, labor officials, journalists, academics, and others. In general, the attitude of most respondents has been positive, although many of them have reservations about particular aspect of the agreement. Most are familiar with the EU Association Agreement and many tend to couch their remarks in terms of their experience to date with that accord.

A number of government and business officials have called for a study of the impact of an FTA on Moroccan businesses, although no specific plans have been made so far to the knowledge of the U.S. Mission in Rabat. While many industrialists welcome the opening of the American market to Moroccan products, they question whether Morocco can effectively take advantage of this opportunity due to lack of knowledge of American market demands and product standards, the fact that there are no direct sea freight lines between Morocco and the U.S., and the language barrier. One businessman characterized the FTA as a 'gift' that Morocco might not be able to use.

Some Moroccans view the FTA as something that involves negligible risks to the United States, but significant risks to Morocco. The most serious concerns about the FTA relate to its potential impact on agriculture, which still employs approximately 50 percent of the labor force (the rural population is estimated at 45 percent of the total population). Here the concern is primarily with grain crops that will have a difficult time competing against highly mechanized and productive American agribusiness.¹⁰

⁹ The acronym FTA specifically refers to the free trade agreement between Morocco and the United States.

¹⁰ The discussion of the impact of trade liberalization in Morocco, like those in many other developing countries, neglects the benefits of: Moroccan consumers' potential welfare gain from cheaper imports from

Senior officials in the Moroccan Government, however, recognize the importance of reform in the agricultural sector, particularly in the cereal sector, where high tariffs and inefficient subsidy programs have created unsustainable market distortions. The Ministry of Agriculture has been working with the World Bank on a comprehensive program for agricultural reform.

While the liberalization of grains trade poses particular problems for some Moroccan farmers, producers of higher value fruits and vegetable crops welcome the opening to the American market, and are already preparing themselves for an eventual FTA. The Association of Fruit and Vegetable Producers and Exporters, based in the southern city of Agadir and primarily involved in the export of citrus goods¹¹ to European and North American markets, have publicly endorsed the FTA and have already conducted at least two seminars with USAID assistance on how to reach the American market.

Looking beyond agriculture, senior officials in the Moroccan Government have also recently discussed with USG officials technical assistance in the areas of: modalities of services negotiations (called "specific commitments" in WTO terminology); telecommunications liberalization; banking and insurance liberalization (including improved regulations and how to make negotiating offers/requests); improvement of anti-dumping/countervailing duty laws, regulations and practices ("mesures de defense commerciale", in French); intellectual property (Morocco has domestic laws, but need training on international issues) and agriculture - both negotiations and technical assistance with export competitiveness.¹²

Over the past forty years the United States has provided Morocco with over \$2 billion in economic assistance in a variety of sectors including health, education, agriculture, small business development, and transport and communications through the U.S. Agency for International development (USAID). In addition, the U.S. Department of Agriculture has provided substantial amounts of food aid, the latest in 2000 to offset losses caused by serious droughts. Today, USAID continues to operate a relatively small program, about \$10 million a year, that focuses on investment and commercial law reform, water conservation, public and private health services, girls' education, and improved democracy and governance.

II. OBJECTIVE

the U.S.; the transfer of U.S. technology; and the greater economic efficiency derived from a better allocation of economic resources.

¹¹ Note that USAID Policy Determination "PD-71", issued in 1978, strongly limits USAID assistance to the citrus industry. More PD-71 information can be found at <http://inside.usaid.gov/G/EG/afs/policies/pd-71.htm>.

¹² Recent discussions between USAID/USTR officials and Mr. Sayah Khalid, Director of the Department of International Trade Relations in the Ministry of Commerce/Industry, and Mr. El Hassan Jouaouine, Head of the WTO and EU Division in the same Department. The contractor should consult with Messrs. Khalid and Jouaouine regarding the specifics of Moroccan's technical assistance needs in these areas.

The purpose of the scope of work (SOW) for the assessment of Morocco's trade capacity building (TCB) needs to negotiate and, more importantly, implement the Morocco-U.S. FTA is to provide contract services to the Government of Morocco (GOM) - under the auspices of USAID, acting through the Bureau for Asia and the Near East (ANE), the Office of Emerging Markets and the USAID Mission - to assess its short to long-term technical assistance needs (in the areas of trade policy, trade-related sector policy, financial, institutional and human capacity) and to propose a TCB plan, with well-defined priorities and related estimated costs, that will assist the GOM to enhance the likelihood of successful negotiation and implementation of the Morocco-U.S. FTA.

"Trade capacity building" is defined as short to long-term assistance to build the physical, human, and institutional capacity of countries to participate in and benefit more broadly from rules-based trade.¹³ The effective trading capability of the Moroccan economy has many dimensions that overlap extensively with the broad needs of its economic development.

In carrying out the SOW for the assessment of Morocco's TCB needs, the consultants should bear in mind that the challenges facing the GOM in the FTA context are:

- To carry out a technically difficult negotiation that is expected to last approximately one year;
- To implement various FTA commitments that are expected to take place over a period of approximately ten years; and
- The speed and success of the FTA negotiation and the success and sustainability of the subsequent implementation of FTA commitments will depend on GOM's ability to:
 - a) Create a shared trade vision - where trade is the engine of economic growth - among stakeholders (i.e. government officials, elected officials, workers, producers, investors, consumers, NGOs and donors);
 - b) Work with stakeholders to define a common trade agenda that will enable GOM to translate the shared trade vision into reality; and
 - c) Implement the shared trade agenda in a timely fashion by: i) identifying and putting into place policy frameworks that will maximize the benefits of trade and minimize the costs of adjustment caused by trade; and ii) linking tangible trade-related benefits (in terms of jobs and income) to greater trade liberalization.

III. SCOPE OF WORK

The objective of this SOW is to produce an overall TCB needs report that contains two principal parts: a trade capacity needs diagnostic and a related TCB proposal. The diagnostic report and TCB recommendations will be developed through research and consultation in the field with responsible Moroccan government officials (especially those in line Ministries such as Ministries of Agriculture and Commerce/Industry), elected

¹³ This TCB definition was used by the USG in its 2001 survey report "United States Government Initiatives To Build Trade Related Capacity In Developing and Transition Countries" (October 2001, p. 4). The USG 2001 survey report can be found at http://www.usaid.gov/economic_growth/tradereport/index.html.

Moroccan officials, interested private sector stakeholders, other donor organizations in Morocco and the U.S. Mission in Rabat.

(1) The contractor will produce the first part of the overall TCB needs report: the TCB needs diagnostic. The TCB diagnostic will:

- Identify TCB constraints that Morocco may face in negotiating the FTA;
- Identify economic policy and development constraints that Morocco may face in implementing the FTA commitments;
- List and prioritize potential TCB assistance activities from all sources to address such constraints; and
- Estimate the costs of and timing for delivering recommended priority TCB assistance activities.

The TCB needs diagnostic could include assessments of:

- The extent to which Morocco's plans for concluding a FTA agreement with the United States are incorporated in (i.e., "mainstreamed" in) Morocco's broader economic development and poverty-reduction strategies and programs.
- The extent to which the GOM has the capacity to: identify policy frameworks that are aimed to maximize the benefits of trade and minimize the costs of adjustment caused by trade; and implement those policy frameworks.
- The capacity of the GOM and Moroccan non-governmental organizations to conduct appropriate Economic Impact Analysis (EIA) studies and other research and analysis needed to support the preparation and implementation of Moroccan negotiating positions in key areas that are likely to be covered by a Morocco-U.S. FTA.
- Assessment of the extent to which the Moroccan business sector and other non-governmental stakeholders (especially elected officials) are aware of and engaged in the trade policy making process. Assessment of the Moroccan government's capacity to build national consensus in support of FTA negotiations.
- The extent to which the Moroccan trade policy making process is equipped for inter-agency coordination of a negotiation that covers the full range of negotiating topics in comparable FTA negotiations with Chile and Jordan (e.g., tariff, product standards, investment, competition, government procurement, labor, environment).
- Morocco's capacity (e.g., human resources, technical expertise, physical and technological infrastructure) to implement bilateral commitments in areas likely to be covered by a potential FTA.
- The capacity of Moroccan businesses and workers to take advantage of opportunities created in a liberalized economic and trade climate.
- The capacity of the Moroccan commercial, legal, and institutional regime to facilitate productive investment and other private sector efforts to take advantage of opportunities created in a liberalized economic and trade environment.
- Possible additional sources and opportunities for trade-related technical assistance, particularly from multilateral institutions (the World Bank, WTO, etc.).

(2) The contractor will produce the second part of the overall TCB needs report: the TCB assistance proposal. The TCB assistance proposal will assist the GOM to enhance the likelihood of successful negotiation and implementation of the Morocco-U.S. FTA. The

TCB assistance proposal will have well-defined and well-articulated priorities, cost estimates and a related overall budget. In addition to the issues identified above, the contractor TCB assistance proposal will take into consideration the cost of TCB,¹⁴ other donors' provision of TCB (e.g. World Bank, European Union, WTO), the expected level of funding for USAID/Morocco economic growth activities and the new USAID/Morocco economic growth strategy.

The contractor TCB assistance report will contain two proposals. A general TCB assistance proposal that GOM may use to seek funding from both USG and other donors. A smaller and more focused TCB assistance proposal that USAID/Morocco may use as the basis for a technical assistance procurement to assist GOM in the negotiation and implementation of the Morocco-U.S. FTA. Each item of the contractor TCB assistance report will be fully described. That description will include information and data that pertain to the nature, objective, task, and strategic location within and outside GOM institutions, value, priority, etc... of each proposed activity.

The contractor overall TCB needs report will be written in English and translated into French. With the FTA consultancy scheduled to begin on/about October 7, the first preliminary draft of that report in English is expected to be completed on/about November 1. Contractor will submit 15 copies of that draft report to USAID/Morocco on/about November 1 and another 15 copies to the ANE Bureau on/about November 6. The final version of the overall TCB needs report in English is expected to be completed on/about December 6. The contractor will submit 50 copies of that final English report to the ANE Bureau and another 50 copies to USAID/Morocco on/about December 9. It is expected that the translation of the overall TCB needs report into French would be completed on/about December 30. The contractor will submit 100 copies of the overall TCB needs report in French to USAID/Morocco and another 20 copies to ANE on/about December 31. See the tentative timetable for the FTA consultancy in the next section for more complete details.

IV. COORDINATION

It is of foremost importance that the team coordinates closely and continually with the U.S. Mission FTA Working Group led by Ambassador Tutwiler and the USAID Assistant Administrator for ANE. It is also expected that a team of three (3) expatriate experts, a local economist and a local administrative assistant would be needed for a period of approximately forty (40) days (including two days of consultations in Washington DC for the expatriate experts) to carry out the FTA SOW.¹⁵ The three (3) expatriate experts should include a Senior Economist, who will be the Team Leader, a Senior Trade Expert, who has expertise in the FTA area, and a Private Sector Development Specialist.

¹⁴ See USAID Discussion Paper "Trade and WTO-Related Technical Assistance" (September 2000) for illustrative TCB costs. Copies of the USAID Discussion Paper can be found at <http://inside.usaid.gov/G/EG/wto/discussion/trade-tech-issues.htm>.

¹⁵ See budget at the end of document for the exact number of workdays for each team member.

The Senior Economist cum Team Leader should have: at least a Master degree in Economics or related areas (such as trade, agriculture, agricultural trade and development); ten years of work experience in developing countries (especially francophone developing countries); familiarity with institutional problems faced by developing countries; and, preferably, proficiency in French (FSI levels 4 and 4).

The Senior Trade Expert should have: an advanced degree in trade-related areas; hands on work experience with bilateral free trade agreements; familiarity with trade-related issues in the areas of industry, services and intellectual property rights; experience in developing countries (especially francophone developing countries); familiarity with institutional problems faced by developing countries; and, preferably, proficiency in French (FSI levels 3-4 and 3-4).

The Private Sector Development Specialist should have: an advanced degree from an accredited university in business administration, marketing, or finance; preferably 5 years of relevant experience in international business, especially in a developing country environment; prior experience working in private business and economic development projects highly desirable; and fluency in English and French (FSI levels 4-5 and 4-5).

The local economist cum logistic manager will facilitate contacts and fact finding and provide administrative and logistical support to the Team in addition to performing analytic work. He/she should have: an advanced degree in economics from an accredited university; at least 5 years of relevant experience in Morocco; fluency in French and English (FSI Levels 4 and 4); prior experience working on economic development projects desirable; and administrative skill and experience to arrange appointments and logistical support for the Team.

The local administrative assistant should have a degree from an accredited university; at least 5 years of relevant experience in Morocco; and fluency in French and English (FSI levels 4 and 4).

The Contractor Team will work under the supervision of Dr. Tham V. Truong, the ANE Chief Economist, to provide assistance to the Government of Morocco and USAID/Morocco. Dr. Truong's role is to ensure coherence between the trade agenda and the development agenda as well as consistency between the proposed FTA TCB assistance program, the expected level of funding for USAID/Morocco economic growth activities, and the new USAID/Morocco economic growth strategy. In doing so, he will work in close consultation with the USAID Director and the U.S. Mission FTA Working Group.

In Morocco, the contractor will work under the auspices of the Ministry of Foreign Affairs (especially Mr. Fassi Fehri, the Secretary of State and the King-appointed FTA Coordinator) and key line Ministries (such as the Ministries of Commerce and Industry (MCI) and Agriculture) and closely coordinate with the USAID Director and the U.S. Mission FTA Working Group.

The Contractor shall arrange for all logistical support required to perform this scope of work, including office space, computers, communications, transportation, and lodging while in Morocco. USAID will provide office space, equipped with computers and telephones for local use, for the Contractor Team. USAID/Morocco will provide logistical support for the ANE Bureau Chief Economist during the term of his work in Morocco.

The FTA consultancy is expected to begin on/about 7 October 2002 and will follow the tentative timetable listed below:

- September 26-27: Expatriate experts to consult with USG agencies and donors in Washington DC;
- October 7-31: Contractor team to carry out fieldwork in Morocco;
- November 1: Contractor to: (a) complete first preliminary draft of overall TCB needs report; (b) give an end-of-consultancy briefing at U.S. Mission in Rabat; and (c) present 15 copies of preliminary draft contractor report in English to USAID/Morocco;
- November 6: Contractor to give an end-of-consultancy briefing to ANE and other USG agencies in Washington DC and present 15 copies of preliminary draft English contractor report to ANE Bureau;
- November 11-15: Contractor to finalize English overall TCB needs report;
- November 18: Contractor to submit draft English overall TCB needs report to ANE and USAID Mission;
- November 19-22: USG agencies to review draft English contractor report;
- November 25: ANE to present USG comments on and inputs into the draft English overall TCB needs report to Contractor;
- Nov 26 to Dec 6: Contractor to finalize English overall TCB needs report;
- December 9: Contractor to submit 50 copies of final overall TCB needs report in English to ANE and another 50 copies to USAID Mission;
- December 9-30: Translation of English final overall TCB needs report into French; and
- December 31: Contractor to submit 100 copies of final overall TCB needs report in French to USAID/Morocco and another 20 copies to ANE.

V. BUDGET

See next page. A six-day workweek is authorized.

Budget for FTA Consultants	Quantity	Units	Rate	Total
Expatriate Labor				
Senior Economist /Team leader (level-1)	43	days	\$1,071	\$46,053.00
Senior Trade Expert (level-1)	43	days	\$1,071	\$46,053.00
Private Sector Development Specialist(Level II)	25	days	\$870	\$21,750
<i>Subtotal: Expatriates labor</i>				<i>\$113,856</i>
Local Labor				
Economist	14	days	\$380	\$5,320.00
Administrative Assistant	30	days	\$50	\$1,500.00
Subtotal Local Direct Labor				\$6,820.00
Overhead on Local labor	\$6,820		78%	\$5,319.60
<i>Subtotal Local labor</i>				<i>\$18,959.60</i>
Total Labor				\$132,815.60
Other Direct Costs				
International Travel				
Airfare	3	round trips	\$2,000	\$6,000.00
Per Diem	68	days	\$176	\$11,968.00
Taxis to from airports	6	taxis	\$75	\$450.00
<i>Subtotal International Travel Consultants</i>				<i>\$18,418.00</i>
Medical and Insurance Costs				
Medical (Exams and Inoculations)	2	exams	\$200	\$400.00
SOS Insurance	3	persons	\$50	\$150.00
DBA for all expatriates	\$113,856		2.5%	\$2846.40
<i>Subtotal Medical and Insurance</i>				<i>\$3,396.40</i>
Office Expenses				
Office Rent	1	months	\$1,500	\$1,500.00
Communications	1	months	\$700	\$700.00
Cell Phones	3		\$100	\$300.00
Translation of final report into French				\$5,000.00
Copying				\$5,800.00
Miscellaneous				\$200.00
<i>Subtotal: Office Expenses</i>				<i>\$13,500.00</i>
Car rental	25	days	\$75	\$1,875.00
<i>Subtotal: Local Transportation</i>				<i>\$1,875.00</i>
Subtotal ODCs				\$37,189.40
G&A on ODCs	\$37,189.40		10%	\$3,718.94
Total ODCs				\$40,908.34
Total Costs				\$173,723.94